

☐ Individual appearing without attorney
☒ Attorney for: Debtor, LAUREL APPAREL GROUP LLC

Debtor(s).

Location: Via Zoom

Last date to file objections: 04/20/2022

F 6004-2.NOTICE.SALE

Overbid procedure (*if any*):

SEE ATTACHED (pending Court approval)

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

May 4, 2022; 10:00 a.m.

United States Bankruptcy Court, Courtroom 1539, 255 E. Temple St., Los Angeles, CA 90012

Contact person for potential bidders (*include name, address, telephone, fax and/or email address*):

Daniel J. Weintraub
WEINTRAUB & SELTH, APC
11766 Wilshire Boulevard, Suite 450
Los Angeles, CA 90025
Telephone: (310) 207-1494
Facsimile: (310) 442-0660
Email: dan@wsrlaw.net

Date: 04/13/2022

Terms of the Proposed Sale

The following is a summary of the proposed material terms of the sale of the Property to Buyer pursuant to the Asset Purchase Agreement entered into between Buyer and the Debtor ("APA"), a copy of which is attached to the Debtor's Motion for Order Approving Sale filed on April 13, 2022. To the extent of any inconsistency, the APA controls:

1. ASSETS.

Buyer shall purchase the Debtor's interest in the following assets:

- a. The goodwill of the business of Laurel Apparel Group, including, without limitation, all the intellectual property of Laurel Apparel Group, including, without limitation, its name, any trademarks, trade names, phone numbers, websites, social media assets, internet domain names, logos, advertising copy, or artwork; designs, patterns, tech packs, etc.;
- b. All of the Debtor's books and records, including, without limitation, books of account, customer lists, e-mail lists, customer purchasing histories, sales records, sell sheets, price lists, supplier lists and internal financial statements;
- c. Inventory, customer/sales orders;
- d. Certain contracts; and
- e. Any other tangible or intangible property used in the ordinary course of Laurel Apparel Group's business. (collectively, the "Assets").

2. LEASE AND EXECUTORY CONTRACTS. Subject to Bankruptcy Court approval, at the request of the Buyer or any overbidder, the Debtor shall assume and assign its rights and interests in that certain lease ("Lease") of the real property located at 1638 East 23rd Street Los Angeles, California 90011-1804 ("Premises"), between the Debtor and CC 1 Property, LLC ("Lessor"), and the Debtor's other executory contracts (the Lease and any assumed executory contracts are referred to herein as the "Assumed Contracts") to such party in accordance with the procedures proposed by Debtor in the Bid Procedures Motion filed on April 11, 2022, as may be modified by the Court.

3. EXCLUDED LIABILITIES. Notwithstanding anything herein to the contrary, and other than the liabilities and obligations arising from any Assumed Contract, the Parties expressly acknowledge and agree that the Assets shall be sold to Buyer, free and clear of all liens, claims, interests and encumbrances (with liens to attach to the proceeds of sale), and Buyer shall not assume, be obligated to pay, perform or otherwise discharge or in any other manner be liable or responsible for any liabilities, indebtedness, and obligations of the Debtor, whether existing on the closing date or arising thereafter.

4. TRANSFER OF TITLE. Following the entry of the Order approving the Sale and on or before the Closing, the Debtor shall execute and deliver a bill of sale with respect to the Assets and all such other good and sufficient instruments of sale, transfer and conveyance consistent with the terms and provisions of this Agreement, which forms shall be provided by Buyer and reasonably acceptable to the Debtor. Title to and possession of the Assets shall immediately pass to Buyer upon the Closing, on the Closing Date.

5. CLOSING. Subject to the terms and conditions hereof, the closing of the sale of the Assets (the "Closing") shall take place within 5 days of the entry of a Bankruptcy Court order approving the Sale.

Bid Procedures (pending Court approval)

A. Qualified Overbids

The Debtor shall consider only qualified bids for the Assets (“Qualified Bid”). In order for a proposed bid to be deemed a Qualified Bid, a proposed bid must meet each of the criteria set forth in the following subparagraphs 1 through 8:

1. Timing.

- a) The hearing on the Debtor’s Motion Approving the Sale of Substantially All Assets of the Estate Free and Clear Of Liens, Claims, Interests and Encumbrances Pursuant To 11 U.S.C. §363(b)(1) and (b)(2); and (2) Authorizing Assumption and Assignment of Unexpired Lease and Executory Contracts shall be held on May 4, 2022, at 10:00 a.m. PST, or such other date as the Court may designate;
- b) All of the documents and information required to be submitted pursuant to subparagraphs 2 through 6 below must be received by Debtor's bankruptcy counsel, Daniel J. Weintraub of Weintraub & Selth APC, (“WS”) no later than 5:00 p.m., PST, April 25, 2022 (the “Bid Deadline”). Unless a bid containing all of the required documents and information is submitted by the Bid Deadline, it will not constitute a Qualified Bid; and
- c) The auction shall take place via Zoom on May 2, 2022, at 10:00 a.m. PST and shall be conducted by the Debtor's counsel.

2. Bid Increments. Bidding increments will be \$10,000.00.

3. Break Up Fee. The Break-Up Fee payable to the proposed buyer 11345737 Canada, Inc. (“Buyer”) in the event it is not the successful buyer at the Auction shall be \$12,500. Buyer’s initial bid is \$250,000.00. Thus, in order to be a Qualified Bid, the initial overbid must be not less than cash in the amount of \$272,500.00.

4. Form and Content of Bid. In order to be a Qualified Overbid, any overbid must include an executed asset purchase agreement in a form identical or substantially similar to the Asset Purchase Agreement entered into between Buyer and the Debtor (“APA”), a copy of which is attached to the Debtor’s Motion for Order Approving Sale filed on April 13, 2022, and which is acceptable to the Debtor in its sole and absolute discretion. Qualified Overbidders are encouraged, but not required to submit an asset purchase agreement in form and substance the same as the APA (other than the name of the bidder, and with a purchase price that satisfies the conditions of paragraph 3 above). Without limiting the foregoing, the overbid may not include any representations, warranties or conditions to closing (including due diligence or financing contingencies) other than those set forth in the APA with Buyer.

5. Offers Irrevocable. In order to be a Qualified Overbid, any overbid must contain a letter from the overbidder stating that the overbid will remain open and irrevocable until an order by the Court approving the sale of the Assets (an “Approval Order”) has been entered by the Clerk of the Court.

6. Deposits. In order to be a Qualified Bid, and participate at the Auction, a bid must be accompanied by a deposit in the form of a cashiers' check or wire transfer of immediately available funds to Weintraub & Selth, APC ("WS") in the amount of \$22,500.00 (the "Deposit"). WS shall hold all Deposits in a segregated account, subject to Court order, to defray all costs, expenses and damages arising as a result of the failure of any winning bidder to close for any reason other than the default of the Debtor. WS shall return a Deposit to a bidder as soon as practicable after the earlier to occur of (i) the Debtor's delivery of notice that a bid is not a Qualified Bid, and (ii) entry of an Approval Order providing for the sale of the Assets to an entity other than the bidder.
7. Ability of Bidder to Consummate Transaction. In order to be a Qualified Bid, all bidders must include written financial evidence, satisfactory to the Debtor, demonstrating that the bidder has the ability to consummate the transaction. Such financial evidence may include, among other things, background reports and/or references, financing commitments, financial statements, income statements, tax returns, balance sheets, annual reports and bank statements. The financial information must include adequate assurance of such bidder's ability to perform under any Assumed Contract, and such financial information may be shared with counter party to the Assumed Contract.
8. Closing. Subject to the terms and conditions hereof, the closing of the sale of the Assets (the "Closing") shall take place within 5 days of the entry of a Bankruptcy Court order approving the Sale.

B. Auction

If a Qualified Bid is received, Debtor's counsel will conduct an auction ("Auction") for the Assets. Such Auction, subject to Court approval, shall take place via Zoom and conducted by WS on May 2, 2022 at 10:00 a.m., or such date as is continued by Debtor, subject to Court approval. Only those who have submitted a Qualified Bid will be eligible to participate in the Auction.

Upon conclusion of the Auction, Debtor's counsel shall (i) review each Qualified Bid on the basis of financial and contractual terms and the factors relevant to the sale proceeds, including those factors affecting the speed and certainty of consummating the Sale, and (ii) identify the highest and otherwise best offer (the "Successful Bid"). At the Sale Hearing, Debtor's counsel shall present to the Bankruptcy Court for approval the Successful Bid and any backup bids.

C. Forfeit of Deposit

If the person or entity submitting the Successful Bid ("Successful Bidder"), thereafter fails to close escrow ("Close"), and the failure to Close is for any reason other than the default of the Debtor, the Debtor may terminate the Sale by providing written notice to the Successful Bidder and the Successful Bidder shall forfeit its Deposit.

D. Back-Up Bid

By participating in the Auction, each bidder agrees that, if the Successful Bidder fails to close and the failure to Close is a default under the Agreement, the bidder that submitted the last bid at the Auction, prior to the Successful Bid (the “Back-Up Bid”), shall purchase the Assets for the amount of the Back-Up Bid and Close the purchase and sale in accordance with the form of the Agreement it submitted to become a Qualified Bid.

E. Return of Good Faith Deposit

The Deposit of all bidders shall be held in trust by Debtor’s counsel (WS), but shall not become property of the Debtor’s estate. WS shall hold all Deposits in a segregated account, subject to Court order, to defray all costs, expenses and damages arising as a result of the failure of any winning bidder to close for any reason other than the default of the Debtor. WS shall return a Deposit to a bidder as soon as practicable after the earlier to occur of (i) the Debtor’s delivery of notice that a bid is not a Qualified Bid, and (ii) entry of an Approval Order providing for the sale of the Assets to an entity other than the bidder.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
11766 Wilshire Boulevard, Suite 450, Los Angeles, CA 90025

A true and correct copy of the foregoing document entitled: **NOTICE OF SALE OF ESTATE PROPERTY** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On *(date)* 04/13/2022, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Eryk R Escobar eryk.r.escobar@usdoj.gov United States Trustee (LA) ustpregion16.la.ecf@usdoj.gov
Gregory Kent Jones (TR) gjones@sycr.com, smjohnson@sycr.com;C191@ecfbis.com;cpesis@stradlinglaw.com
James R Selth jim@wsrlaw.net, jselth@yahoo.com;vinnet@ecf.inforuptcy.com
Daniel J Weintraub dan@wsrlaw.net, vinnet@ecf.inforuptcy.com

☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On *(date)* _____, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on *(date)* _____, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

04/13/2022
Date

Yerika Ramirez
Printed Name

/s/ Yerika Ramirez
Signature